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C O N F I D E N T I A L SECTION 01 OF 02 DOHA 000435

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TAGS: [ENRG](#) [EPET](#) [PREL](#) [RU](#) [IR](#) [QA](#)
SUBJECT: GAS EXPORTING COUNTRIES SEEK TO REVERSE SAGGING
GAS PRICES

REF: A. DOHA 428
[1](#)B. DOHA 224

Classified By: Amb. Joseph LeBaron for Reasons 1.4 (b) and (d).

(C) KEY POINTS AND COMMENTS

-- Comments emerging from this week's Gas Exporting Countries Forum (GECF) ministerial in Doha suggest that the fledgling organization's members are concerned most about sagging gas prices and hopeful that closer coordination can reverse this trend. At least some members seem to be zeroing in on Europe as a test-bed for cooperation.

-- The members clearly have competing visions for the forum, but moving the industry in a direction which gives them greater collective control over price appears to be on the mind of at least several participants, including those with years of experience in such matters through their OPEC membership.

Analysis

[1](#)1. (C) The GECF statement released at the end of their meeting this week in Doha noted (hopefully) that increased cooperation between producers should ensure a stable market for "the mutual benefit" of producers and consumers. The market backdrop to this statement, however, suggests a reality quite different from a stable market: sagging worldwide demand for gas as a global economic crisis continues with scant relief (Ref B).

[1](#)2. (C) This recessionary price pressure on gas appears to be spurring a desire for greater coordination among the GECF membership. And at least the Venezuelan Minister singled out Europe as a potential area for group activity.

-- Venezuela's Energy Minister Rafael Ramirez, while denying the group had any plans to coordinate supply cuts "yet", noted that "the European market stands out as the most mature. It receives supply from different countries that are part of our forum. We can start putting together some answers there."

-- Russian Energy Minister Sergei Shmatko commented after the forum that "I am sure our cooperation will have influence on the gas market and on the stabilization of the gas market." He noted too that the current world gas situation mandated that no producer go its own way.

-- Algeria's Minister of Energy and Mines Chakib Khelil noted the current challenges to selling gas and said the forum

would work together to avoid overlapping investments which would force them to compete in the same market.

¶3. (C) One of the primary purposes of the meeting was to further advance cooperation by picking a Secretary General. Though that decision was deferred until a December meeting in Doha, the pace of GECF gatherings is quickening and the organization looks set to continue with twice-yearly ministerials. Significantly, the UAE was approved to join the GECF at this week's meeting.

¶4. (C) Many of the senior participants in this week's meeting are the same officials who also participate in OPEC gatherings. The following GECF members are also part of OPEC: Algeria, Iran, Libya, Nigeria, Qatar, the UAE, and Venezuela. Several GECF members also held the OPEC presidency in recent years: Algeria's Khelil served in 2001 and 2008, Qatar's Al-Attiyah served in 2003, while the UAE's Minister of Energy Mohammad Bin Dhaen Al-Hamli served in 2007, and Nigeria held the OPEC Presidency in 2002 and 2006.

-- The GECF statements were filled with rhetoric calling for "a dialogue between producers and consumers," though it appears the producers are the only ones talking for now.

¶5. (C) The growing role and cost-effectiveness of LNG is opening up new markets in Europe for producers like Qatar, potentially leading to direct competition with Russia for export markets.

¶6. (C) Just last week, Qatar signed a 20-year deal with Poland to supply 1 MTA of LNG by 2014 once a new receiving

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terminal is built on the Baltic Sea. Qatar is also in discussions with the Netherlands on a gas deal, as Holland hopes to position itself as a natural gas distribution hub in Europe. Qatar's Amir also made a recent swing through Europe, stopping at several capitals to discuss gas investment and export deals.

-- At a press conference after the signing with Poland, Al-Attiyah denied that Qatar was in competition with Russia for consumers, claiming "the market is big enough for everybody."

¶7. (C) Qatar faces a changed export landscape as it seeks to expand its markets. It has based its LNG development on a strategy of diversification among the 3 major gas-consuming regions, and it had hoped to provide 1/3 of its world-leading 77 mta of LNG (scheduled to come online by next year) to North America, Europe, and Asia each.

¶8. (C) The possible sea change in U.S. domestic supply, however, might upend these plans. Recent discoveries of more natural gas in the U.S. could force Qatar to rely more heavily on European and Asian markets, further increasing competitive pressure with other exporters like Russia and Iran. That said, the head of a major European energy firm told Ambassador recently that Qatar can ship LNG to the East Coast of the United States for half the cost of U.S. shale gas. Al-Attiyah would not confirm this, but he did say that Qatar's mega-tankers can transport LNG to the United States at a cost of only \$1.20 per million btu.

LeBaron